



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-EIGHTH LEGISLATURE, 2015**

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 1112, H.D. 1, RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

**BEFORE THE:**

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

**DATE:** Tuesday, February 17, 2015                      **TIME:** 10:00 a.m.

**LOCATION:** State Capitol, Room 309

**TESTIFIER(S):** Russell A. Suzuki, Attorney General, or  
Andrea J. Armitage, Deputy Attorney General

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Chair Nakashima and Members of the Committee:

The Department of the Attorney General (the Department) has concerns about two provisions in this bill.

The House Health Committee amended H.B. No. 1112, by deleting the provisions relating to the privatization of the Hawaii Health Systems Corporation (HHSC) and inserting amended versions of three bills that were deferred: H.B. No. 1420, H.B. No. 1145, and H.B. No. 1146. Part I of the bill now contains provisions that repeal the regional system boards to centralize all functions within HHSC for the purpose of creating greater efficiencies. This part also includes a provision that allows HHSC to utilize the Department for legal services that it may require. It also lifts the prohibition on HHSC being able to mortgage its real property assets and clarifies that the \$25,000,000 annual limit on municipal leases applies per region. Part II of the measure separates all employees of HHSC from other employees of different public employers by creating seven new bargaining units that are counterpart to the current units. The purpose provided for this amendment is so that HHSC can negotiate collective bargaining agreements that address the wages, hours, and working conditions of health care employees. It also adds that the Governor shall have two votes with respect to negotiating a collective bargaining agreement for the seven separate bargaining units for HHSC employees. Finally, part III of the bill, among other general provisions, provides for the rights of employees who are transferred from the regional systems to HHSC.

**1. The Department has Concerns About the Provision to Allow HHSC to Utilize the Department for Legal Services.**

The bill, on page 39, lines 12-14, amends section 323F-7, Hawaii Revised Statutes (HRS), to provide that notwithstanding any other law to the contrary, the corporation shall have and exercise the following duties and powers, including, "[c]alling upon the attorney general for legal services that the corporation may require."

However, the bill does not mention this amendment in any of its descriptions or purposes, nor does it, in section 12, page 44, lines 18-21, through page 45, lines 1-4, amend section 323F-9, HRS, beyond deleting references to the regional system boards. Section 323F-9, entitled "Hiring of attorneys" provides:

The corporation and regional system boards may employ or retain any attorney, by contract or otherwise, for the purpose of representing the corporation or regional system boards in any litigation, rendering legal counsel, or drafting legal documents for the corporation or regional system boards.

The provision for legal services by the Department in proposed section 323F-7(a)(33) and the provision that remains in section 323F-9, HRS, are contradictory. HHSC hires its own attorneys. Allowing HHSC to utilize the Department for legal services raises concerns. The contradictory provisions cause confusion and conflict between the different sources of legal advice; for example, how litigation (including medical malpractice cases) should be handled. Furthermore, the Department would not be able to adequately provide the legal services without significant additional resources.

We suggest three potential solutions:

1. Delete the provision in this measure allowing HHSC to obtain legal services from the Department on page 39, lines 12-14;
2. Repeal section 323F-9, HRS, and include in the proposed provision allowing HHSC to obtain legal services from the Department, and add a requirement that HHSC provide the Department with the resources to be agreed upon by the Attorney General and Chief Executive Officer of HHSC. Furthermore, section 28-8.3(a)(11), HRS, that allows HHSC to employ or retain its own attorneys, would need to be repealed; or
3. Delete the provision in this measure allowing HHSC to obtain legal services from the Department on page 39, lines 12-14, and amend section 323F-9 to allow HHSC the option to

utilize the Department for legal services; provided that HHSC funds the additional resources as agreed upon by the Attorney General and the Chief Executive Officer of HHSC, and that if HHSC does obtain legal services from the Department, it would not be able to hire its own attorneys for any purpose.

**2. The Department Opposes Creating Seven new Bargaining Units as Unnecessary.**

The provisions of the bill that propose creating seven new bargaining units for HHSC is unnecessary because HHSC has authority to negotiate agreements with the unions for its employees, independent of the other employers. *See*, sections 89-6(e) and 89-8.5, HRS. Section 89-6(e), HRS, allows HHSC to negotiate supplemental agreements:

In addition to a collective bargaining agreement under subsection (d), each employer may negotiate, independently of one another, supplemental agreements that apply to their respective employees; provided that any supplemental agreement reached between the employer and the exclusive representative shall not extend beyond the term of the applicable collective bargaining agreement and shall not require ratification by employees in the bargaining unit. (Emphasis added).

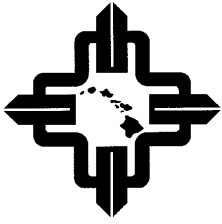
Similarly, Section 89-8.5, HRS, specifically allows HHSC to negotiate memorandums of understanding with the unions to alter any existing or new collective bargaining agreements:

Negotiating authority: Hawaii health systems corporation. Notwithstanding any law to the contrary, including section 89-6(d), the Hawaii health systems corporation or any of the regional boards, as a sole employer negotiator, may negotiate with the exclusive representative of any appropriate bargaining unit and execute memorandums of understanding for employees under its control to alter any existing or new collective bargaining agreement on any item or items subject to section 89-9.

Further, the establishment of seven new bargaining units for HHSC employees who already belong to existing bargaining units is not consistent with how the existing bargaining units were established. Section 89-6(a), HRS, provides “[a]ll employees throughout the State within any of the following categories shall constitute an appropriate bargaining unit.” The current bargaining units are categorized based on occupational lines (i.e., supervisor, non-supervisory, teachers, nurses, etc.) and not by jurisdiction or employer. The justification for proposing to create seven new units is not consistent with section 89-6(a), HRS, which clearly shows bargaining unit determination based on categories related to occupational likes or classes

of work. The seven proposed bargaining units perform the same exact work as those employed by other public employers.

For the reasons discussed above, we have concerns about the provision of the bill allowing HHSC to utilize the Department for legal services, and the provisions that create seven new bargaining units for HHSC.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N

*"Quality Healthcare For All"*

**House Committee on Labor & Public Employment**  
**Representative Mark Nakashima, Chair**  
**Representative Jarrett Keohokalole, Vice Chair**

**Rep. Henry J. C. Aquino**  
**Rep. Sharon E. Har**  
**Rep. Linda Ichiyama**  
**Rep. Aaron Ling Johanson**  
**Rep. Matthew S. LoPresti**

**Rep. Joy A. San Buenaventura**  
**Rep. Gregg Takayama**  
**Rep. Roy M. Takumi**  
**Rep. Kyle T. Yamashita**  
**Rep. Andria P. L. Tupola**

February 17, 2015  
Conference Room 309  
10:00 a.m.  
Hawaii State Capitol

**Testimony Making Comments on House Bill 1112, HD1, Relating to the Hawaii Health Systems Corporation**

Linda Rosen, M.D., M.P.H.  
Chief Executive Officer  
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony on HB 1112, HD1. HB 1112 HD1 contains three major provisions: 1) the elimination of the regional system boards 2) the authority for HHSC to mortgage its property in order to borrow much needed capital funding, and 3) creation of 7 new collective bargaining units for the various types of HHSC employees. While HHSC has concerns about the elimination of the regional system boards, we support the remaining two provisions.

This measure removes the Regional Boards and places all authority and decision making with the Corporate Board. While this is likely meant to produce improvements in efficiency and accountability, there are potentially adverse disruptive consequences that should be considered. We respectfully request the opportunity for further discussion regarding HHSC function and governance rather than a wholesale removal of the current structure.

As one of largest public health care providers in the nation, HHSC maintains 24/7 acute and long term care facilities across the state. Currently, the bargaining units that encompass HHSC employees also include employees from numerous other state

agencies. While HHSC does have authority to negotiate specific memorandums of understanding, under the current system, HHSC has not been able to effectively address key issues that affect our cost of doing business.

**BACKGROUND ON MORTGAGE RESTRICTION:**

Hawaii Revised Statutes 323F-7(c)(17) states "...provided further that other than to secure revenue bonds and related obligations and agents, and to transition into a new entity, **the corporation or any regional system board shall not sell, assign, lease, hypothecate, mortgage, pledge, give, or dispose of all or substantially all of its property**; and provided further that each regional system board shall be responsible for conducting the activities under this paragraph in its own regional system, and control over such property shall be delegated to each regional system board; provided further that this paragraph shall not be construed to authorize the sale, pledge, or mortgage of real property under the control of the corporation or a regional system board."

HHSC respectfully requests that the Legislature remove this restriction. HHSC understands that the Legislature's ability to provide capital improvements to HHSC is limited. Removing the mortgage restriction would allow HHSC to access capital in the private financing markets, which would allow HHSC to develop new service lines that could result in decreased need for state subsidy while, at the same time, providing value-added healthcare services to the communities that HHSC serves. This would also allow HHSC to maintain its buildings and medical equipment in good working order without having to rely on continuing CIP appropriations from the State of Hawaii. Finally, this mortgage restriction would hamper some of the master planning efforts going on at some of the regions, particularly those looking to find private development to replace aging facilities.

**BACKGROUND ON MUNICIPAL LEASING LIMITS**

Hawaii Revised States 323F-7(d) states, "Each regional system board shall not be subject to chapters 36 to 38, 40, 41D, and 103D as well as part I of chapter 92 and shall enjoy the exemptions contained in sections 102-2 and 103-53(e), except as otherwise provided in this chapter. The corporation shall not be subject to chapters 36 to 38, 40, and 41D, as well as part I of chapter 92, and shall enjoy the exemptions contained in sections 102-2 and 103-53(e); provided that the exemption provided under this subsection to chapter 37D shall only apply to financing agreements of \$5,000,000 or less; **provided further that the aggregate value of financing agreements per fiscal year shall not exceed \$25,000,000.**"

HHSC is not clear whether the limit placed on financing arrangements was meant to be \$25,000,000 for the entire corporation or for each region. HHSC respectfully requests that this section be clarified to state explicitly that the limit on financing arrangements of \$25,000,000 applies to each region, and not to the corporation as a whole.

Thank you for the opportunity to testify.



TO: COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
Rep. Mark M. Nakashima, Chair  
Rep. Jarrett Keohokalole, Vice Chair

FROM: Richelle Kawasaki, Chief of Organizational Development  
Maui Region, Hawaii Health Systems Corporation

DATE: Tuesday, February 17, 2015  
TIME: 10:00 AM  
PLACE: Conference Room 309  
State Capitol  
415 South Beretania Street

Thank you for the opportunity to provide testimony in opposition to HB 1112, HD1 RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION. The purpose of this bill is to reconsolidate HHSC operational administration and oversight by eliminating regional system boards, to repeal certain limits on operational authority, and to create new bargaining units for HHSC employees.

Having seen the important advances made to healthcare in the Maui Region due to operational administration and authority being handled locally and policy being set by a regional system board, we strongly oppose reconsolidating HHSC administration and authority. If the Maui Region had not been able to seek out and secure outside financing, we would not have been able to make open heart surgery and interventional cardiology a reality for our residents and visitors.

For many years, our facilities operated under a model that allowed our revenues to be swept into a corporate account and redistributed throughout the system. This model was detrimental to the growth and development of healthcare services in our Region. Our management advisory committee along with administration and our medical staff strongly advocated for changes to the system that would allow us to better control our finances and operations. The Legislature supported us in the desire to see day to day decisions being made at the bedside by those most closely affected by such decisions.

Our local board is comprised of dedicated volunteers that live here in our Region. They have a vested interest in the wellbeing of our facilities because our facilities provide their care as well as care to their families, friends, and business associates. They have every reason to have the best interest of our patients at heart.

We continue to humbly ask for the Legislature's help and assistance in finding a solution to our current fiscal challenges, however we do not feel that reconsolidation of authority in HHSC is the best solution to allow us to continue to grow as a healthcare provider. We also do not believe that passage of this measure is in the best interests of the people of our Region.

We hope that this Legislative Session will bring about positive change and your continued commitment to supporting healthcare here in the Maui Region. We urge you to decline to move this bill forward. Thank you for the opportunity to provide these comments.

221 Mahalani St., Wailuku, HI 96793 T 808.244.9056 F 808.242.5112

Testimony of WESLEY LO

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Mark M. Nakashima, Chair  
Rep. Jarrett Keohokalole, Vice Chair

DATE: Tuesday, February 17, 2015  
TIME: 10:00 AM  
PLACE: Conference Room 309  
State Capitol  
415 South Beretania Street

**TESTIMONY WITH COMMENTS  
HOUSE BILL 1112 HD1**

Chair Nakashima, Vice Chair Keohokalole, and members of the House Committee on Labor and Public Employment:

Thank you for the opportunity to PROVIDE COMMENTS on HB 1112 HD1

HB1112 HD1 appears to be an “omnibus” bill that has portions of several bills with various intents in it, including the following

- Portions of HB 1420 to eliminate the Regional Boards
- Portions of HB 1145 which lifts the prohibitions and mortgages on the sale of real properties
- Portions of HB 1146 to create separate bargaining units for HHSC Employees

Also, it appears that HB 1112 HD1, essentially restricts the ability of the any facility or region of HHSC to pursue public private partnership as it has no funding provision or labor transition language that is necessary for any public private partnership

Comments related to these changes are as follows:

- **We are opposed to the elimination of Regional Boards.** The creation of Regional Boards has been critical in the improvements in the expansion of services in the Maui Region and the improvement in its financial situation from 2008 to 2013. Healthcare is “local” and governance needs to be closer to the “bedside” for Hospitals to thrive
- **We support the lifting of prohibitions on mortgages.** Mortgages are needed for regions to access the capital markets. The legislature will



continue to have ability to restrict mortgages and legislative approval is needed to issue Revenue Bonds (which typically require mortgages). Accordingly, by lifting the prohibition on mortgages, the legislature will still have oversight over any issuance of a financial instrument that requires mortgages.

- We **support the creation of new Collective Bargaining Units for HHSC**. HHSC is one of the only 24/7 census driven operations in the State. Since HHSC employees are currently part of the same Bargaining Units across the State, it makes it difficult to have appropriate work rules that for both “normal” State Workers, and Hospital Workers
- **In regards to Enabling Legislation for Public Private Partnership, we are requesting that the original language of HB 1112 be re-inserted.**

Thank you for the opportunity to provide comments on this legislation

Wesley Lo  
Regional Chief Executive Officer  
Maui Region  
Hawaii Health Systems Corporation

**HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT**

Rep. Mark M. Nakashima, Chair

Rep. Jarrett Keohokalole, Vice Chair

Rep. Henry J.C. Aquino  
Rep. Joy A. San Buenaventura  
Rep. Sharon E. Har  
Rep. Gregg Takayama  
Rep. Linda Ichiyama

Rep. Roy M. Takumi  
Rep. Aaron Ling Johanson  
Rep. Kyle T. Yamashita  
Rep. Matthew S. LoPresti  
Rep. Andria P.L. Tupola

**NOTICE OF HEARING**

Tuesday, February 17, 2015 at 10:00 am  
Conference Room 309  
State Capitol  
415 South Beretania Street

**TESTIMONY IN OPPOSITION OF HB 1112 HD1  
RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION**

Dan Brinkman  
Interim Regional Chief Executive Officer  
East Hawaii Region, HHSC

On behalf of the East Hawaii Region of Hawaii Health Systems Corporation (HHSC), thank you for the opportunity to present testimony on HB 1112, HD1.

The East Hawaii Region opposes the elimination of the regional system boards, however we support the provisions of the bill that provide for mortgage authority and new collective bargaining units for HHSC.

We believe that the intent of Act 290 has been realized in East Hawaii. Our highly engaged regional board, composed of professional experts and community leaders, has driven substantive and positive changes in the delivery of our region's healthcare. We have modernized our systems, including installing a highly efficient and cost effective electronic medical record system, increased our revenues, controlled our expenses and have greatly improved quality and the patient experience.

We also believe that each region is unique in its geography, demographics, business environment, types of operations (acute vs long-term care) and the size of its business. While there is merit to the idea that de-centralization has not been successful in all regions, re-centralizing imposes a "one size fits all" remedy and neglects the fact that some regions have greatly benefited from community control. Additionally the primary cause of the public hospital system's poor condition is not its organizational structure, but due to the imposing outside forces of declining reimbursements, increased cost of healthcare (i.e. supplies, medicine, employment), and the unique challenges of providing "safety net" care for communities that are geographically dispersed, socio-economically challenged and aging.

HAWAII HEALTH SYSTEMS CORPORATION

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Our solution for East Hawaii is one of service oriented local partnerships with other healthcare providers, especially those on the Big Island. We are seeking predictable and sustainable funding of our safety net mission and coverage of collective bargaining costs. The stability that is offered by these measured steps will give the region's board the resources to succeed in maintaining and improving the region's operations.

**HD 1112 HD1** removes the Regional Boards and places all authority and decision making with the Corporate Board. While this is intended to produce improvements in efficiency and accountability, there are potentially adverse disruptive consequences that should be considered, most significantly the loss of community support, "ownership" and direction. We respectfully request the opportunity for further discussion regarding East Hawaii and HHSC's function and governance, rather than a wholesale removal of the current structure.

**HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT**

Rep. Mark M. Nakashima, Chair

Rep. Jarrett Keohokalole, Vice Chair

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Rep. Joy A. San Buenaventura  
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**NOTICE OF HEARING**

Tuesday, February 17, 2015 at 10:00 am  
Conference Room 309  
State Capitol  
415 South Beretania Street

**TESTIMONY IN OPPOSITION OF HB 1112 HD1  
RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION**

Money Atwal  
Regional Chief Financial Officer and Chief Informational  
East Hawaii Region, HHSC

On behalf of the East Hawaii Region of Hawaii Health Systems Corporation (HHSC), thank you for the opportunity to present testimony on HB 1112, HD1.

The East Hawaii Region opposes the elimination of the regional system boards, however we support the provisions of the bill that provide for mortgage authority and new collective bargaining units for HHSC.

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HAWAII HEALTH SYSTEMS CORPORATION

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, February 16, 2015 11:27 AM  
To: LABtestimony  
Cc: psgegen@hotmail.com  
Subject: Submitted testimony for HB1112 on Feb 17, 2015 10:00AM

**HB1112**

Submitted on: 2/16/2015

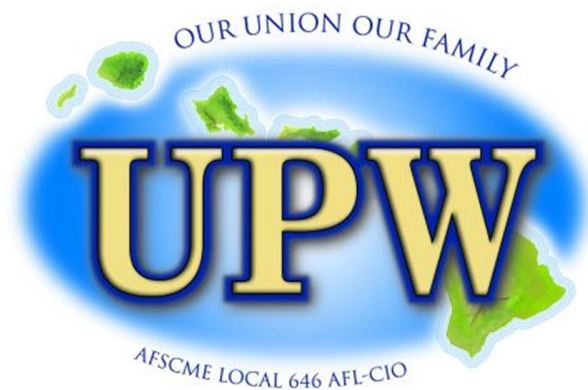
Testimony for LAB on Feb 17, 2015 10:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
pat gegen	Kauai Regional HHSC Board of Directors	Oppose	No

Comments: The Kauai Regional Board of HHSC is concerned about the proposals in HB1112. The Board does not feel it is in the best interest of our community to abolish the regional boards that oversee services in our small rural communities at this time. We also are concerned about the proposal of abolishing the current union structure - we agree with the intent to provide more flexibility within the work rules and requirements of our employees to assure we are being as efficient and cost conscious as possible so we are less of a burden on state resources. The Kauai Regional Board has worked very hard over the past 2 years to streamline our business and continue to provide the services our community desires. We do not believe that this would be accomplished under the proposed HB1112. With all due respect - we disagree with breaking up the regional boards and feel we can achieve the labor improvements with reasonable union letters of agreement. Respectfully submitted.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



THE HAWAII STATE HOUSE OF REPRESENTATIVES  
The Twenty-Eighth Legislature  
Regular Session of 2015

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

The Honorable Representative Mark Nakashima, Chair  
The Honorable Representative Jarrett Keohokalole, Vice Chair

DATE OF HEARING: Tuesday, February 17, 2015  
TIME OF HEARING: 10:00a.m.  
PLACE OF HEARING: Conference Room 309  
State Capitol  
415 South Beretania Street

TESTIMONY ON HOUSE BILL 1112 HD1 RELATING TO THE HAWAII HEALTH SYSTEMS  
CORPORATION

By DAYTON M. NAKANELUA,  
State Director of the United Public Workers,  
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive bargaining representative for approximately 12,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

While the UPW understands the purpose and intent of HB1112 HD1, we cannot support the bill. We believe that an audit of HHSC should be conducted before the State makes any decisions. There are still too many unknowns and unanswered questions. We ask that the Legislature and the Administration perform its due diligence by conducting the audit. There is no room for error when the health and welfare of our communities and the livelihoods of people are at stake.

**Thank you for the opportunity to testify on this measure.**

Tuesday, February 17, 2015– 10:00 a.m.  
Conference Room 309

The House Committee on Labor and Public Employment

To: Representative Mark M. Nakashima, Chair  
Representative Jarrett Keohokalole, Vice Chair

From: David Okabe  
EVP, CFO and Treasurer

Re: HB 1112 HD1 – Relating to the Hawai'i Health Systems Corporation  
Testimony Supporting Original Intent with Comments of Concern

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My name is David Okabe, Executive Vice President, Chief Financial Officer and Treasurer at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-governmental employer. Hawai'i Pacific Health is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

While we support the original intent of HB 1112 - to establish a process for determining whether the health care services provided by the Hawaii Health Systems Corporation can be delivered more cost-effectively by partnering with a private health care management system - we are concerned that the current version of the bill (HB1112 HD1) may hinder ongoing discussions between Hawaii Pacific Health and the Maui Regional Healthcare System.

We have expressed commitment to work with the Maui Region and have invested the necessary time and resources on due diligence that we are currently performing to further explore this possibility. The requirements of a successful public-private partnership that facilitate ongoing discussions between Hawaii Pacific Health and the Maui Regional Healthcare System are outlined in HB 1075 HD1.

We appreciate the efforts of the Legislature in exploring the means toward implementing a more economically efficient system of health care in the communities being served. Hawai'i Pacific Health recognizes that this is no easy task. We are committed to improving the delivery of health care in Hawaii and are interested in being a part of the solution on Maui. We therefore ask that any legislation that allows for transitioning HHSC and/or its regional systems be sufficiently broad to permit the necessary negotiations in the various regions, as a transition of this nature and magnitude will involve many stages.

Thank you for this opportunity to testify.





**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

**RANDY PERREIRA**, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Eighth Legislature, State of Hawaii  
House of Representatives  
Committee on Labor and Public Employment

Testimony by  
Hawaii Government Employees Association  
February 17, 2015

**H.B. 1112, H.D. 1 – RELATING TO THE HAWAII  
HEALTH SYSTEMS CORPORATION**

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 1112, H.D. 1 which recentralizes the Hawaii Health Systems Corporation and provides for the Auditor to complete a full financial and management audit of the System, however we respectfully request that Section II of the measure, which creates seven new bargaining units, be deleted in its entirety.

Recentralization and completion of an independently assessed audit must be the first critical steps taken prior to any consideration of privatizing the System. The Legislature must ensure that the system is prudently spending its appropriated funds and must accurately assess the HHSC's current financial state. We raise serious reservations and grave concerns over proposed legislation to rapidly privatize the safety net hospital system: it's a risky and dangerous proposition, which may cause irreversible harm to our community.

We respectfully request the deletion of Section II, which creates seven new bargaining units, as there is nothing that precludes the HHSC from currently negotiating supplemental agreements to any master contract. Further, the creation of seven new units will not only dilute membership of existing units, but it will create some units with as few as 30 employees, which poses additional burdens to reaching fair contract settlement.

Thank you for the opportunity to provide testimony H.B. 1112, H.D. 1, with the request to remove Section II of the bill.

Respectfully submitted,

  
Randy Perreira  
Executive Director



Tuesday– February 17, 2015 – 10:00 am  
Conference Room 309

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

To: Rep Mark Nakashima, Chair  
**Rep Jarrett Keohokalole, Vice Chair**  
and House Committee members

From: Mr. and Mrs. Thomas Russi

Re: Testimony in support of HB1112, HD1

Thank you for this opportunity.

Although we support this bill, we believe it does not go far enough. The Governor, on behalf of the general public and taxpayers, should have some control over our community hospital system. It has been our personal experience, dealing with our regional board (WHRB), has been difficult. The reason, they do not fall under the sunshine law. How can the legislature expect this community hospital system to work, if the boards work in the “shadows?” How can you possibly tell the general public that they are not allowed to attend these board meetings (soon to be committee meetings) about the hospital system that they support through tax dollars? We appreciate the open, public meetings twice a year, and not many people attend, but it doesn't make it right.

We do not know enough to be sure if this measure will benefit the citizens of Hawaii, especially the outer island citizens who rely on HHSC using their tax dollars wisely. We do think adding an audit could help. My wife, Christine and I are always very concerned with the use, and misuse, of tax dollars as in the case of Vincent Rhodes, former Director of Risk Management, HHSC.

In 2013, Alice Hall, hired her ex-husband, to badger us. Mr. Rhodes held his position at HHSC, for only eight months, at which time, he was removed because of complaints filed against him, with the State Ombudsman and the Hawaii Civil Rights Commission, that could not be investigated without holding him accountable. He was paid \$78,567.52, which included vacation pay, when he was

removed. This is a serious violation of the public's trust and a misuse of tax dollars within the hospital system. If HHSC is going to work like it was set up to work, this type of personal agenda needs to be stopped and we are not sure if this legislation will stop it, or make it worse. If any legislator checks the work product of Vincent Rhodes from Jan 2013 to Sept 2013, it will definitely shed some light on this situation. We have attached our latest communications to the WHRB, and emailed them to LAB. The reason this has happened to us, is because HHSC and their affiliates, like Ali'i Health Center, are not held accountable. If former Governor Abercrombie had oversight, he may have been able to assist us and resolve this.

We ask that you use your knowledge to make the best choice for voting on this bill, but consider making sure HHSC is always held accountable.

Thank you.

The image shows two handwritten signatures in black ink. The top signature is more fluid and cursive, while the bottom signature is more structured and legible, appearing to read 'Christine Russi'.

Tom & Christine Russi

February 14, 2015

96740

(attachments via email)

**Testimony from Bruce S. Anderson, Ph.D.**

**Re: HB 1112, HD1, Relating to the Hawaii Health Systems Corporation**

**Date: February 17, 2015**

I strongly support HB 1112, HD1, which would reconsolidate HHSC operational administration and oversight by eliminating the regional system boards.

The twelve hospitals and outpatient clinics that compose Hawaii Health Systems Corporation (HHSC) provide most of the acute and long-term services on the Neighbor Islands. HHSC's dedicated staff and healthcare providers - primarily civil service employees - deliver remarkable care, despite aging facilities. They are not the problem; the problem is HHSC's dysfunctional governance structure. Reconsolidating HHSC's operational administration and oversight into one integrated system by eliminating regional system boards and replacing them with regional advisory boards would help to assure accountability to the legislature, the public and, perhaps most important, those that HHSC serves. The regional advisory boards would help to assure that regional interests are heard.

The Hawaii State Legislature created HHSC in 1996 (Act 262), in an attempt to make our public hospital system look and operate more like a private hospital system. That was a good first step. While successful hospital systems across the country were consolidating operations, however, Hawaii derailed in the opposite direction: In 2007, Act 290 substantially changed HHSC, creating five regional health systems - Kauai, Oahu, East Hawaii, West Hawaii and Maui - each managing operations independently. Every region has a separate, independent board of directors, vested with equal authority as the Corporate Board. Act 290 essentially assured that Maui Region (the region with the largest budget), for example, could operate independently, unconcerned - and often uncommunicative - with the other island systems.

Led by Maui Region, HHSC's latest solution to fiscal crisis was to lease or sell its hospitals to Banner Health, a huge private hospital system based in Phoenix, Arizona. Ironically, this would have resulted in a near-total loss of service control, but that did not deter Maui Region and its Board affiliates. Banner executives made very clear that decisions would be made in Phoenix, not Hawaii, per established company procedure. Maui Region and others on the HHSC Board largely pursued this takeover in secret, knowing that privatization would ultimately cost hundreds of jobs. Keep in mind that many rural areas in Hawaii rely on HHSC as their largest employer. Never did the Banner proponents submit a "request for proposals," or ever seriously pursue possible partnerships with local hospitals.

One cannot blame Banner Health, who had nothing to lose. Little to no competition existed for hospital services on most Neighbor Islands, and HHSC was advocating to pay Banner the same subsidies it was receiving. What a deal! If Banner downsized Hawaii's hospital workforce, and avoided paying civil service benefits, it had everything to gain. Although both Queen's and Hawaii Pacific Health had expressed interest in partnerships, the HHSC Board essentially ignored their interests. All eyes focused on Banner Health. Maui Region and other powers behind HHSC viewed our local hospital systems as competitors, not partners. Fortunately, that has changed a little in recent months; at least discussions have started with Hawaii Pacific Health and perhaps other local hospitals.

National doubts are now arising on the long-term impact of hospital chain mergers and acquisitions. Dozens of mega mergers occur each year. A Federal appeals court recently ordered a major healthcare system in northwest Ohio to unwind its merger with a local hospital. The unanimous decision, by a three-judge panel of the Sixth U.S. Circuit Court of Appeals, followed concerns about the effect of mergers on patient prices. The Federal Trade Commission moved to block the merger under an antitrust statute – claiming the deal would encourage a price hike for inpatient services – and the Federal court agreed.

Since 2007, only one small step has improved the governance of HHSC. In 2013, Act 278 was finally signed into law, after a threatened veto by Governor Abercrombie – changing the status of the five regional CEOs on the Corporate Board into ex-officio nonvoting members, and calling on the Governor to appoint five replacement Board members. On any corporate board, management should never have a vote, given conflicts of interest. Nevertheless, revisions invoked by Act 278 likely threatened Maui Region and others in power. Governor Abercrombie, conveniently, took over a year to appoint the new Board members, assuring no significant change for at least that period.

Much more remains to be done.

First, extreme autonomy fragments our healthcare system. One entity, a single Corporate Board, needs the authority to make policy decisions, and must stand accountable to the legislature and all who provide “safety net” funding. Five separate regional boards (each with equal authority to the Corporate Board), and five independent CEOs (none accountable for the performance of the system as a whole) cannot manage in concert.

The fourth-largest public hospital in the nation, HHSC operates as five separate systems. Duplicating efforts, HHSC now fails to fully engage economies of scale, which could leverage resources with considerable bargaining power. Millions of dollars could be saved every year, by centralizing: billing, supply and equipment procurement, office administration, human resource management,

and IT support. Such efficiency is vital for hospitals that are to remain solvent in today's costly and changing healthcare environs.

Regional input on service delivery is necessary. Neighbor Island challenges vary and the needs of those communities differ. However, region-biased voices are best heard as regional advisory boards, composed of healthcare experts; not as governing bodies.

Finally, we must aggressively pursue partnerships with local healthcare systems, whom we know and trust to remain accountable. Queen's and Hawaii Pacific Health rank among such trustworthy potential partners. Their partnerships would not require the sale or leasing of our public hospitals, nor the termination of hundreds of healthcare workers. Whether motivated by the desire to expand, or by threats of outside competition, recent collaborations have been promising. By sharing knowledge, physicians, nurses, technical staff, even facilities with local partners, Hawaii can better leverage its precious healthcare resources.

We need not sell out to a Mainland chain, hoping that they might do what we could not do ourselves. If HHSC begins to work together as a system, efficiencies will *undoubtedly* emerge, costs will fall, and HHSC hospitals can finally focus on providing quality healthcare, not just fighting for survival.

Again, I strongly support HB 1112. It is certainly a big step in the right direction.

Respectfully submitted,

Bruce S. Anderson, Ph.D.

From: mailinglist@capitol.hawaii.gov  
Sent: Saturday, February 14, 2015 10:10 AM  
To: LABtestimony  
Cc: alohafidlr@aol.com  
Subject: Submitted testimony for HB1112 on Feb 17, 2015 10:00AM

**HB1112**

Submitted on: 2/14/2015

Testimony for LAB on Feb 17, 2015 10:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Joel Gimpel	Individual	Comments Only	No

Comments: Removing all Regional Boards pursuant to the recent amendment to HB 1112 will make HB 1075 (permitting the Maui region to transition to a public/private partnership if approved by the Maui Regional Board) effectively inoperable, and prevents local community participation in the governance and operation of neighbor island hospitals. Furthermore, and most importantly, removing the provisions permitting public-private partnership arrangements by HHSC and HHSC Regions effectively defeats the essential purpose of HB 1112. I urge restoration of those provisions.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, February 16, 2015 6:28 AM  
To: LABtestimony  
Cc: cliffw001@gmail.com  
Subject: Submitted testimony for HB1112 on Feb 17, 2015 10:00AM

**HB1112**

Submitted on: 2/16/2015

Testimony for LAB on Feb 17, 2015 10:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
William R. Cliff	Individual	Comments Only	No

Comments: I strongly support any provisions of the bill that would facilitate negotiations and exploration of a Public Private Partnership between HHSC and/or its regions and potential partners as provided in the bill. That being said, various provisions of the bill micromanage the process and make business and health centered negotiations with qualified potential partners problematic. Provisions of the bill that would completely reorganize HHSC during both this period of fiscal crisis and exploratory negotiations with private health care organizations are totally ill advised. Experienced regional boards are having difficulty dealing with local financial and operational issues. How would a totally new board function that has no experience but the requirement to deal with five disparate regions. A quick look at HHSC budgets will show that there are fewer opportunities than one might think for cost savings after removing labor and benefit costs.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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